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CENTRAL INTELLIGENCE AGENCY

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COUNTRY	Poland	REPORT	
SUBJECT	Analysis of the Present Economic Situation in Poland	DATE DISTR.	8 JAN 1960
		NO. PAGES	1
		REFERENCES	RD
DATE OF INFO.			50X1-HUM
PLACE & DATE ACQ.			50X1-HUM

SOURCE EVALUATIONS ARE DEFINITIVE. APPRAISAL OF CONTENT IS TENTATIVE.

analysis of the present economic situation in Poland

Included in the report are the following: charts showing investment outlays in the various sectors of the national economy with figures for the years 1950-1958; charts showing the livestock situation and the production of certain field crops per capita; statistical tables for imports and exports broken down by country and by kind of goods; charts showing employment and wages. Certain conclusions are given at the end of the report.

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(Note: Washington distribution indicated by "X"; Field distribution by "#".)							

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Present Generation

Poland

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a.

field lies certainly in inner springs of the economic and political movement, which are not widely revealed. One of these springs is certainly an amount of investment outlays, which according to the last unpublished figures amounts to:

Sectors of the national economy	1950-1955	1956	1957	1958	1950-1955	1958
	in millions złotys				%	%
Total	240.378	50553	54064	58756	100,0	100,0
of which non socialist economy b)	9882	3940	6370	7553	4,1	12,9
Industry and handicraft	105296	21248	22233	24197	43,8	41,2
Agriculture c)	27349	8396	9127	9886	11,4	16,8
of which non socialist economy b)	8056	3012	4603	5436	3,4	9,3
Forestry	680	206	236	214	0,14	0,14
Building	8130	2127	2218	1462	3,4	2,5
Transport communications	30.173	4565	5126	5784	12,5	9,8
Trade	8130	1371	1381	1914	3,4	3,3
Municipal Services	6800	1386	1695	1862	2,8	3,2
Housing	27469	7082	8274	9328	11,4	15,9
of which non socialist economy b)	1826	843	1047	1335	0,7	2,3
Social and cultural establishments	12183	2611	3083	3435	5,1	5,8
Others	13958	1561	691	674	5,8	1,1

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a) At 1956 prices. Excluding

b) Estimated

c) Including outlays on residential building in socialist farms and on private residential buildings in rural areas

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If we now include a second division of data,
difference would be even more striking

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Types of outlays	1950-1955	1956	1957	1958	1950-1955	1958
	in mln rubles				in %	
Total	230,496	46,613	47,694	51,203	100,0	100,0
Outlays on building and construction	145,977	27,699	28,500	31,228	63,3	61,0
Outlays on machinery, installations, tools and stocks	68,252	15,554	15,454	16,243	29,6	31,7
Other investment outlays	16,267	3,360	3,740	3,732	7,1	7,3

At 1956 prices. Excluding outlays on ~~livestock~~ LIVESTOCK.

- a) Including, among others, outlays on: project-and-estimate documentation, geological research work, investment survey etc.
- b. To pursue supplied data for the analysis, which follows, we switch now to another field of crucial importance - agriculture, bringing about recent classified data:

Production of certain field crops per capita

Field crops	1949	1955	1957	1958
	in Kilogrammes			
4 cereals	487,5	464,2	477,7	471,3
of which: wheat	73,0	78,2	81,9	81,6
rye	276,9	256,7	262,7	254,9
potatoes	1265,9	990,6	1240,1	1209,8
sugar beet	196,2	267,1	269,2	292,2
Rape and linseed	3,4	5,6	3,6	2,8

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Here again An even more tragic situation we can
find in the domain of livestock

	Cattle		Pigs *	Sheep	Horses
	Total	of which cows			
IN THOUSAND HEADS					
Total					
1955	7912,2	5454,7	10888,3	4243,2	2560,1
1957	8264,8	5766,6	12325,4	4030,6	2623,0
1958	8209,7	5931,4	11958,9	3882,3	2732,5
of which:					
Private farms ^a					
1950	6798,3	4644,7	8758,0	2047,1	2660,2
1957	7340,9	5264,4	10489,2	3535,4	2405,2
1958	7323,5	5415,2	10536,5	3439,7	2518,6
Cooperative farms ^b					
1950	35,9	26,0	40,2	10,9	14,3
1957	79,3	53,3	142,8	57,3	18,2
1958	72,0	49,5	124,2	48,7	17,4
State farms ^c					
1950	259,8	101,5	3473	112,7	107,1
1957	608,0	270,8	876,2	345,0	158,9
1958	590,0	294,9	578,8	304,0	157,7

a) Including livestock belonging to private persons having no farms
b) In 1950 organized cooperatives; in 1957 and 1958 cooperatives

b) In 1950 organized cooperatives; in 1957 and 1958 cooperatives
Carrying out collective farming. Including livestock owned
by members of cooperative farms

c) State ownership

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C. Third Group of economic difficulties
 is represented by the foreign trade. This domain
 can be also characterised quantitatively in two
 statistical tables

1958

	imports		exports	
	in mln. \$	%	in mln. \$	%
Total	4907,3	100,0	4237,5	100
of which:				
Czechoslovakia	377,8	7,7	289,9	6,8
Germany (East)	621,9	12,7	425,5	10,0
Hungary	135,4	2,8	114,6	2,7
USSR	1335,9	27,2	1060,8	25,0
China	145,0	3,0	288,6	6,8
&				
Great Britain	332,0	6,8	275,2	6,5
USA	406,8	8,3	107,1	2,5
Germany (West)	268,5	5,5	283,5	6,7

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- 5 -

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and by structure

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Groups of goods	1957		1958		
	in percentages				
IMPORTS					
Total	100,0		100,0		
Machinery, transport- and other equipment	23,8		26,7		
of which:					
electric machinery & equipment	2,2		3,4		
machinery and full equipment of industrial establishments	3,8		2,5		
machinery and equipment for chemical feedstuffs - timber-building and other industries	3,4		5,4		
Raw and other materials for production	53,1		53,9		
of which:					
fuel	6,3		6,9		
raw materials for heavy industry	22,6		24,0		
raw materials for light- and building industry	21,4		20,7		
supply of agriculture	2,8		2,3		
Agricultural foodstuffs	17,4		11,0		
Industrial consumers' goods	5,7		8,4		
EXPORTS					
Total	100,0		100,0		
Machinery, transport- and other equipment	20,0		26,8		
of which:					
metal working machine tools	0,8		0,9		
machinery and full equipment of industrial establishments	1,5		1,8		
rolling stock	5,4		5,1		
Ships, boats and equipment	4,3		5,5		

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	1957	1958
	In percentages	
Raw and other materials for production	69,0	50,8
of which:		
coal and coke	39,3	28,9
iron and zinc	12,1	11,9
timber and paper	2,5	2,3
Agricultural foodstuffs	12,6	16,9
Industrial consumers' goods	6,4	5,5

a. Last but not least comes the problem of wages of the population. For the last three years the situation looks as follows:

Years	Gross salaries and wages fund (in mln. £)	Employment ^a (in thous.)	Average monthly pay (£)		Index of average nominal net wages	
			Gross	Net	1949 = 100	Previous year = 100
1956	7005 100 509	7083	1183	1109	248,0	110,8
1957	721 118 951	7279	1362	1266	283,1	114,2
1958	126 915	7326	1444	1331	297,8	105,7

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and another table

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	1956		1957		1958	
	Employment in thousands	Wage bill in millions	Employment in thousands	Wage bill in millions	Employment in thousands	Wage bill in millions
Total	6.787,1	98 007	6887,4	115766	6851	123 674
Agriculture and forestry	670,4	7184	645,9	7489	585	7558
Outside agriculture and forestry	6116,7	90823	6241,5	108277	6266	116 118
of which:						
Industry and handicraft	2802,7	44388	2900,2	54916	2921	58524
Building	744,6	12698	730,7	13892	722	15356
Transport and communications	591,2	8442	621,2	10489	650	11556
Trade	673,5	8302	672,2	9636	662	9930
Municipal housing services and housing	148,1	1958	168,7	2631	174	3012
Social and cultural establishments	645,6	8105	677,3	9686	709	10738
Administration	358,8	5057	338,5	5255	320	5128

1955 1956 1957 1958

Index of the cost of living 100,0 99,4 105,0 107,1

- i. - average real wage 100,0 111,6 120,8 124,8

Periods year = 100 2 111,6 108,2 103,3

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For the last three quarters of [redacted] year
 the economic situation developed in a
 following way:

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a. Industrial production has risen during this
 time about 9% in comparison with the same time period
 of 1958. In this a part of the heavy industry
 increased about 11%, while the light and food industry
 increased only 6%, and the part of small and cooperative
 industry was nil in this rise (as a matter of fact this
 latter has fallen slightly).

Investments during this period have risen totally about
 22% in comparison with the same period of the last year.

b. In the domain of agriculture - harvest of cereals
 has risen slightly the crops in comparison with a similar
 period of 1958, while droughts influenced strongly
 crops in vegetables, fodder and winter crops,
 and livestock has fallen alarmingly

c. In the foreign trade:

until now import of cereals was to a certain
 degree compensated by the export of meat.
 In 1959 Poland started a simultaneous import
 of some sorts of meat, and cut both import
 of cereals and export of meat. At the
 same time a considerable fall of coal prices

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Was hardly compensated by the decreased
Volume of export of coal.

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Q. Wages and salaries bill increased about 20%.

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In comparison with 1958.

The following conclusions are drawn:

1. Investment activity increases constantly in industry, agriculture and housing. Nonetheless while examining closely the figures, it is to be seen that increase in machinery, installations, tools and stock is much more intense than in other domains of investment. Conclusion is easily to be drawn, namely that of following: In orthodox way of investment in the means of production instead of balancing budgeting these outlays in transport, in infrastructure and secondary (non-productive) industries and tertiary (services) sectors of economy.

2. This creates a number of primary effects

a. Increase in the import of machinery, transport and other equipment (from 23,8% to 26,7%)
Increase in import of raw and other material for production (from 53,1% to 53,9%)

b. Increase in employment in industry, at the expense of all other branches of national economy, except transport

Considerable increase in the wage bill for industry, and as well - for all others branches of economy (except administration) despite the fact that employment has fallen in all these branches

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3. Field Crops of basic 4 cereals have fallen. The single increase in field crops in all branches is to be noted in the sugar ^{export} beet, what progress is of a relatively minor importance.
4. A considerable fall is to be noted in cattle herding, in which for cows and sheep for all three sectors of agricultural properties (private, cooperative, state farms). Herding of pigs increased only in the private farms, but peasants were reluctant to deliver it to the state distribution net, showing a strong tendency to rise profits through black market.
5. There is an acute disequilibrium in the ~~for~~ balance of payment and the trade balance with foreign countries, to which contribute mainly such creditors, as USSR, East Germany and Czechoslovakia on one side and Great Britain and USA on the other side.
- Situation outlined is self sustaining, considering that a tendency to increase the rate of investments and a rate of increase of industrial production remains valid. These two phenomena, plus a rate of ^{increase of} productivity stopped (technical progress is practically checked).

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which gives a perfect proof of brakes on the technical progress, created by through the lack of incentives) must lead in some way to a repeated story of 1955-1956, namely:

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- rise in volume of investment goods, without a parallel rise in complementary industries and services
- fall in agriculture supplies
- decrease in export possibilities, due to the low attracting power of exported machinery (no modernization etc.) and lack of possibilities in agricultural export
- rising cost (halted increase in productivity, to increased wages' bill)
- inflation of the buying power of wages of industrial workers (free market prices for agricultural goods would rise quicker than wages).

It is to be foreseen that following measures will be adopted in order to safeguard the basic ^{tendencies} of investments in heavy industry:

- increase of prices for industrial goods (construction & building materials, agricultural machines) delivered for peasants. This method of drainage of peasant's buying power is foreseen to constitute an incentive towards bigger deliveries of agricultural goods
- administrative measures aiming to restrain free market speculation with meat and

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agricultural products

- strengthening of the direct administrative control in industry, in order to increase productivity through a more intense work
- more detailed planning methods, imposed by administrative organs and executed narrowly by intermediate bodies
- rigid limitation of the wages' bill. Simultaneous cut in all additional sub-orders, representing a super-revenue for intellectual workers, engineers and administrators (foremost - projecting of and plans in technology, design and economy, realised beyond office hours and considering a constant personnel income for thousands persons).

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